

Emerging Business Enterprise Program

2011 Annual Departmental Participation Report

**City of Milwaukee
Department of Administration
Business Operations Division
Office of Small Business Development**

Introduction

As presented in the Milwaukee Code of Ordinances, Chapter 360 requires that the Emerging Business Enterprise (EBE) Program review EBE participation progress in the City's contracting and procurement activities and annually submit a written report to the Mayor and Common Council. Therefore, the Office of Small Business Development is pleased to present a comprehensive report that provides a historical perspective of Chapter 360 and progress as of December 31, 2011.

This report will also highlight the EBE Program efforts relative to technical assistance, and financial assistance to emerging businesses through the Revolving Loan Program, as well as an overview of the newly created Chapter 370. Finally, the presentation of EBE participation achieved in 2011, and a 5 year historical snapshot of EBE participation achieved.

The data contained in this report was compiled by the Office of Small Business Development and Procurement Services staff with assistance from the following City departments, as required by Chapter 360:

- Department of Administration
- Department of Public Works
- Department of Neighborhood Services
- Fire and Police Departments
- Milwaukee Public Libraries
- Port of Milwaukee
- Department of City Development – Housing Authority of the City of Milwaukee
- Department of City Development – Real Estate & Development Services

Lastly, this report will also introduce Chapter 370, the new Minority, Woman and Small Business Enterprise Program that became effective on January 1, 2012.

History of City Ordinance Chapter 360

The Emerging Business Enterprise (EBE) Program was enacted in 1989, through Chapter 360 of the Milwaukee Code of Ordinances. The EBE Program, formerly known as the Disadvantaged Business Enterprise (DBE) Program, was created to assist and protect the interests of individuals who are disadvantaged and small business concerns in order to promote and encourage full and open competition in the City of Milwaukee. Chapter 360 of the Milwaukee Code of Ordinances was revised in 2002 to utilize city-certified EBEs in all contracting activities by approving an annual 18 percent EBE utilization requirement for each contracting department, and all other operating departments.

The City of Milwaukee's Emerging Business Enterprise Program name positively reflected and promoted small businesses that strived to become competitive in the mainstream marketplace. Eliminating the reference to small businesses as disadvantaged eliminates any pre-conceived notions that small businesses are unable to perform or provide superior products and quality services.

Finally, on March 25, 2009, the City of Milwaukee adopted substitute Ordinance 080218, Chapter 355 of the Milwaukee Code of Ordinances, which became effective on August 10, 2009. This ordinance increased the level of participation on several Emerging Business Enterprise Programs and created new programs such as the First Source Employment Program. Detailed explanations of these programs are also identified in this report, as well as a status update of the specific programming efforts. As a result, the EBE Program office, which has historically been vested as a disadvantaged business certification program, now plays an essential role in local workforce development.

Chapter 355

With the implementation of Chapter 355 of the Milwaukee Code of Ordinances, the EBE Program efforts expanded to include workforce development programming efforts. Chapter 355 was framed to serve two purposes:

1. Increase participation of City residents in Public Works contracts

2. Create new employment opportunities and increase community participation on City development projects.

New programming, such as the First Source Employment Program (FSEP) was created to aid in the area of workforce development, and business assistance efforts were expanded by creating a Contract Compliance Officer position to aid in ensuring overall adherence to Chapter 355.

Chapter 355 Explanation

Chapter 355 pertains to city development projects that are awarded at least one million dollars in combined financial assistance from the City of Milwaukee, without any exclusion based on the development project being a turnkey project:

Emerging Business Enterprise (EBE):

The level of EBE participation on City development and Public Works projects increased as follows:

- A. **Construction: increase from 18% to 25%**
- B. Purchase of Services: 18% (no change)
- C. Purchase of Professional Services: 18% (no change)
- D. Purchase of Supplies: 18% (no change)

Residence Preference Program (RPP): increases from 25% to 40%

To ensure the participation of City residents in City development projects, the developer is required to ensure that 40% of worker hours required for construction of the project be performed by unemployed or underemployed residents. In addition, the RPP residence boundary is expanded to include the entire City of Milwaukee.

Prevailing Wage

In agreement with prevailing wage standards set by the Department of Workforce Development, contractors may be required to pay prevailing wages to all employees working on a respective project, through any and all contractors.

Apprenticeship Ratio

An appropriate apprenticeship ratio will be identified for all specific trades on a City development project. The City of Milwaukee will utilize the current Department of Workforce Development standards in setting appropriate apprenticeship ratios.

First Source Employment Program

All contractors will be required to utilize the First Source Employment Program (FSEP), which is operated in concert with the Milwaukee Area Workforce Investment Board (MAWIB), through an agreement with the City of Milwaukee. FSEP is the first source in recruitment for all contractors that will actively hire for both new and replacement employment opportunities. The goal of FSEP is to ensure that City residents are considered first for both new and replacement employment opportunities on City Development Projects.

Development Projects Completed in 2011

Project Name	EBE Goal	Actual Participation	Overall Project \$	Amount Paid to EBE Firms	RPP% Achieved
Capuchin Apartments	25%	16%	\$7,265,763	\$1,182,803	n/a
Empowerment Village	25%	29.70%	\$5,626,200	\$1,672,712	n/a
Franklin Square	25%	28%	\$6,104,375	\$1,708,214	n/a
Gold's Gym (Riverwalk & Gap Financing)	18%	27%	\$3,054,000	\$834,889	38%
Heart and Hope Place	25%	25%	\$3,949,336	\$989,975	n/a
Johnston Center Residences	25%	31%	\$8,139,330	\$2,562,561	n/a
King Drive Commons III	25%	45%	\$3,298,811	\$1,129,601	n/a
Lisbon Terrace	25%	27%	\$4,387,163	\$1,177,335	n/a
Veteran's Manor	25%	26.80%	\$7,811,500	\$2,099,053	n/a

Chapter 355 raised the bar for Developers and General Contractors. The ordinance changed the way we do business, and an assurance to city residents that the workforce on City development projects will mirror the demographics of the City of Milwaukee. As a result, developers are

beginning to willingly come to the City and voluntarily meet higher expectations relative to small business utilization and workforce development programming.

Although there is a visible increase in efforts to procure the services of EBE firms, the city felt that there should be an official examination of its efforts in procuring the services of minority, and women owned businesses. With that, the City of Milwaukee conducted a disparity study in 2009/2010. The purpose of the 2009/2010 disparity study was to determine if a statistically significant disparity exists for minority and women owned emerging firms working on City of Milwaukee construction, professional services, and goods & services contracts. The disparity study showed that there was a statistically significant disparity that existed among minority and women owned businesses. Seeing this, and following the recommendations from the disparity study, ordinance Chapter 370 was created.

Chapter 370

This ordinance implements the recommendations of the city's disparity study conducted in 2009/2010 by redesigning the Emerging Business Enterprise (EBE) Program to a minority, woman and small business enterprise program. The Emerging Business Enterprise program has transitioned into the Office of Small Business Development (OSBD) to further implement and oversee the programmatic changes.

Pursuant to Chapter 370 of the Milwaukee Code of Ordinances, the City of Milwaukee requires each contracting department to utilize minority, woman and small business enterprises for the following percentage of the total dollars, through prime contracts or subcontracts, annually expended on:

- a. Construction: 25%.
- b. The purchase of goods and services: 25% (Increase from 18%).
- c. The purchase of professional services: 18%

OSBD Program Objectives

The City of Milwaukee's Office of Small Business Development (OSBD) is a multi-faceted direct service provider. The staff has a communication network with each of the city's contracting departments to ensure that the opportunities in commodity procurement, construction, service orders and professional services are available to small and emerging businesses.

We work to enhance the small business community by maximizing support services, contract opportunities, and financial resources to compete in the public and private sector markets. The OSBD Program was created to assist and protect the interest of emerging and small business concerns. We take steps to promote and encourage full and open competition in the City of Milwaukee so emerging businesses may successfully compete in a free market as independent business owners. We also work to establish mentor-protégé relationships between small businesses and those businesses in the mainstream marketplace.

Technical Assistance

OSBD provides technical assistance to small businesses, services that are, at times, offered through the various business solidification organizations and chambers of commerce. Technical assistance includes, but is not limited to the following:

Annual Emerging Business Sustainability Conference

For the past four years, the EBE Office has convened the Annual Emerging Business Sustainability Conference at ManpowerGroup Headquarters. The annual conference provides a venue for learning workshops and business connections for approximately 100 representatives of emerging Milwaukee area small businesses. A major objective of this free, Half-day conference is to offer critical technical assistance to small businesses interested and committed to doing business with the City of Milwaukee. Key topics covered include: small business growth trends; green building retrofitting and certifications; accessing business with city government and large corporations; estimating and bidding; and business matchmaking.

Revolving Loan Program

The Revolving Loan Program offers financial assistance to certified firms. Certified firms that are awarded a City of Milwaukee, Milwaukee Area Technical College, Milwaukee Metropolitan Sewage District, or Milwaukee Public School contracts, are eligible to apply for a low interest loan. The maximum loan amount can be up to 25% of the contract or \$35,000, with an interest rate of 5%. The loan must provide documented benefits to the local community, such as neighborhood stability through job creation and retention. The loan may be requested to assist with cash flow, purchase of inventory and increase workforce. It may not be used to repay previous debts, such as unpaid local or Federal taxes. In 2011, the Revolving Loan Committee members consist of:

Ashanti Hamilton, Alderman 1st District
Michael Muhlbauer, Muhlbauer & Associates
Edward J. Bryant, North Milwaukee State Bank
Ramona Moore, Independent Consultant
Travis D. Evans, Sr., Christ Temple COGIC, Inc.
Kein Burton, DCD
Matthew Balistreri, CDGA
Ossie Kendrix, OSBD

The goal of this program is to ensure that certified firms who secure City contracts, have the financial assistance needed in order to successfully complete their contracts. EBE certified businesses are encouraged and guided to establish a positive credit record, so their organization can become bankable with traditional commercial lending institutions.

In 2011, four (4) loans were granted, valued at \$111,223.00, which assisted in the creation of 20 jobs. Historically, the jobs that have been created serve low-income populations since the participant businesses that receive these loans are located in the City of Milwaukee. The efforts of the certified firms that secure Revolving Loans contribute to an increase in the City's quality of life and provide economic vitality to distressed areas.

Revolving Loan Program Distribution 2001 - 2011				
Year	# of Loans	Total Value	Interest Income Collected	# of Jobs Created
2001	1	\$35,145.63	\$145.63	8
2002	4	\$143,820.56	\$3,820.56	20
2003	1	\$35,955.14	\$955.14	24
2004	7	\$246,962.66	\$4,567.60	23
2005	4	\$82,354.00	\$2,305.86	10
2006	3	\$85,409.42	\$2,039.52	14
2007	3	\$81,447.00	\$1,984.21	16
2008	1	\$24,948.00	\$827.12	5
2009	3	\$76,006.25	\$1,862.47	21
2010	8	\$198,221.63	\$9,911.08	13
2011	4	\$111,223.00	\$5,561.15	20

EBE Certification

Annually, the EBE Program is responsible for processing more than 100 requests for EBE certification, both new and renewal applications. In addition, there is a third party consultant contract that exists to ensure the integrity of the EBE Program. Below is an overview of EBE certification efforts in 2011:

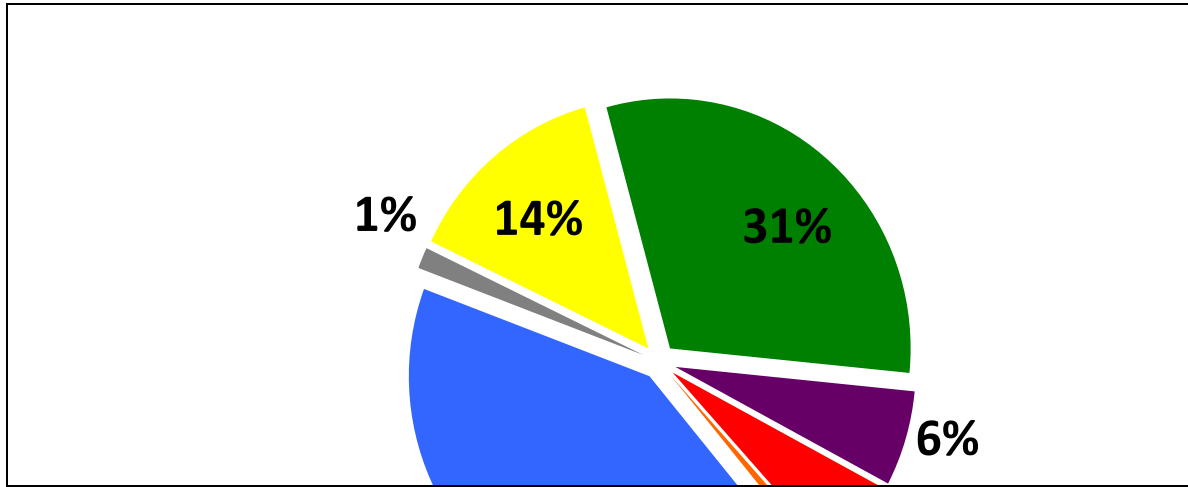
53 New firms were certified

- 40 of the new firms were certified “in house”, saving the City of Milwaukee \$27,000 in EBE certification processing expenses

87 EBE firms renewed certification

- All of the renewed certifications were completed “in house”, saving the City of Milwaukee \$32,625 in EBE certification processing expenses.

Also, detailed below is an illustration which identifies the demographics of our 2011 pool of EBE certified firms:



Departmental EBE Reporting

As previously stated, the data contained in this report is provided through the assistance of City departments. Chapter 360 required that Emerging Business Enterprise participation be monitored and shared via written report to the Mayor and Common Council, annually. The EBE Program serves as a liaison to the aforementioned City departments, assuring the accuracy of EBE reporting and also work to identify ways EBEs can participate on contracts.

The City of Milwaukee has two major contracting departments, which are the Department of Public Works (DPW) and the Department of Administration – Procurement Services Section (DOA-PSS). DPW is responsible for ensuring that the infrastructure of the City of Milwaukee is functional, such as the maintenance of streets and bridges, to traffic signals and street lighting. In addition, DOA – PSS is responsible for acquiring commodities and services for City Departments. It's important to note that the majority of EBE firms are certified in construction related trades, while the majority of the contracting that is done by DOA-PSS, on behalf of all City Departments typically involves procuring items and services in which there are no EBE certified firms that can actively participate on such contracts.

As you review the spreadsheet below, this details EBE participation by department as well as the overall annual participation rate achieved in 2011.

2011 Departmental EBE Utilization Comparison			
	Overall	EBE Portion	EBE%
Procurement Services Section (PSS)	\$90,556,107	\$5,394,375	5.96%
Milwaukee Police Department (MPD)	\$284,212	\$48,288	16.99%
Milwaukee Public Library (MPL)	\$4,456,231	\$1,321,078	29.65%
Milwaukee Fire Department (MFD)	\$315,157	\$264,970	84.08%
Department of Public Works (DPW) Calendar Year	\$51,628,012	10,179,994	19.72%
Housing Authority of the City of Milwaukee (HACM)	5,187,860	1,198,483	23.10%
Department of Neighborhood Services (DNS)	\$2,316,694	\$749,390	32.35%
Department of City Development (DCD) - Dev. Prjcts	\$53,206,161	\$14,177,203	26.65%
Total City Investment	\$207,950,433	\$33,333,781	16.03%

In addition, the achieved EBE rates for 2007 through 2011 are as follows:

Contract Year	Required EBE Rate	Achieved EBE Rate
2007	18%	16%
2008	18%	19%
2009	18%	15%
2010	18%	19%
2011	18%	16%

Conclusion

Overall in 2011, the City of Milwaukee obtained a 16% EBE participation rate for all contracting departments and development projects that were monitored by the Emerging Business Enterprise Program. Although the mandatory 18% minimum EBE participation requirement was not met, the City of Milwaukee has made great strides in attempting to close the gap in support of creating opportunities for emerging businesses to play a stronger role in doing business with the City. It's important to note that there are challenges that result in an overall shortfall of EBE participation. The most critical challenge is the lack of emerging firms certified to provide the following services or products such as:

- Chemicals needed for our water purification system;
- Light duty Vehicles;
- Heavy Equipment;
- Specialized vehicle equipment needed for our police cars;
- Complex IT systems software and support.

However, by working together, City Departments can begin to unbundle projects by examining the overall scope of work, to identify where EBE participation can be required, as well as aiding in the business solidification efforts of EBE firms.

In addition, in 2012, several mechanisms will be put in place such as:

- Implementation of Chapter 370 – Minority, Woman, and Small Business Enterprise
- Payment Monitoring Software (B2GNow);

- PSS & EBEP will continue to strengthen the level of inclusion of EBE processes and procedures.

Finally, the EBE Program, in conjunction with City departments, has worked to increase the level of EBE participation on contracts where there are more than 3 EBE certified firms that can deliver the particular service or good. Requiring higher EBE participation on contracts in areas where EBE firms can have significant roles has allowed EBE firms to serve as prime contractors. As a result, below is a list of EBE firms that secured Prime Contract opportunities with the City of Milwaukee in 2011:

- Abaxent, LLC.
- Arteaga Construction
- Dakota Intertek
- Metro Clean
- Price & Sons
- Right Choice Janitorial Supply
- Rodriguez Landscape
- Sonag Company
- The Nisha Group

The Emerging Business Enterprise Program strives to ensure that small businesses receive the proper support and assistance needed in order to improve the economic vitality of the City of Milwaukee. The EBEP will continue to work to raise awareness about the more than 340 EBE Certified Businesses that are capable and ready to provide valuable services and goods to the City. By encouraging full and open competition in the City of Milwaukee, we are creating opportunities to enable emerging businesses to successfully compete in a free market as independent business owners.